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Taiwan-Mainland China Relations—Implications For The United States

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TAIWAN-MAINLAND CHINA RELATIONS- -IMPLICATIONS FOR THE UNITED STATES

SUMMARY

Taiwan-mainland China exchanges have grown remarkably in recent years. Taiwan authorities have adjusted heretofore severe restrictions and allowed a growing range of economic, cultural and other contacts. Beijing has long favored increased exchanges in order to accelerate economic modernization and to provide an atmosphere conducive to talks leading to Taiwan's reunification with the mainland.

Since the late 1980s:

- There have been over three million visits of Taiwan residents to the mainland—but only 20,000 mainland visitors went to Taiwan;
- Trade, mainly conducted via Hong Kong, grew to \$5.8 billion in 1991 and was heavily in Taiwan's favor;
- Total Taiwan investment, mainly in nearby Fujian Province, amounted to over \$3 billion in 3,000 enterprises.

Near-term prospects include likely continued growth in economic, cultural, and even indirect political exchanges, and continued expressions of willingness on both sides to engage in dialogue, build trust, and promote mutual understanding. However, officials on both sides of the Taiwan Straits judge that no breakthrough regarding talks over reunification appears likely. Taiwan continues to keep its foot on the brake fearing that entering talks on reunification under current circumstances would put it in a weak and disadvantageous position. At minimum, a consensus among the often competing political groups in Taipei argues that meaningful talks must await the passing of Beijing's old guard communist leaders and the establishment of a stable successor government.

Recent trends favor longstanding U.S. interest in obtaining maximum benefit from U.S. interaction with both the PRC and Taiwan while enhancing peace and stability in the Taiwan Straits. Several factors influencing the current situation are subject to rapid or unexpected change. They include the unsteady leadership situations in both Beijing and Taipei, and possible changes in international support for Beijing and Taipei in the post cold war environment. In particular, some in the United States argue that there is now greater leeway to upgrade U.S. interests in relations with Taiwan than when the U.S. needed close relations with mainland China to oppose the Soviet Union. The main counter argument stresses the continued importance of mainland China to American interests, the likelihood of a strong Beijing response to a U.S. tilt toward Taiwan, and a perceived absence of a tangible U.S. need to move in this direction in order to secure U.S. interests in Taiwan.

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TAIWAN-MAINLAND CHINA RELATIONS—IMPLICATIONS FOR THE UNITED STATES

INTRODUCTION

The United States has remained deeply involved in relations between the Peoples Republic of China (PRC) government on mainland China and the Nationalist Chinese government on Taiwan since the outbreak of the Korean War.¹ U.S. involvement has experienced three general stages.

- At the start of the Korean War, President Truman ordered the U.S. Seventh Fleet to intervene in the Chinese civil war and to block an expected Communist assault on Taiwan.² Two decades of U.S. containment of the PRC saw the United States side with the Nationalists, protecting them in their civil conflict with the PRC.
- This period gave way to the American opening to Beijing in the 1970s. U.S. policy struck an ambiguous but effective balance between the contending Chinese regimes in Beijing and Taipei. In 1979, the United States switched formal diplomatic relations from the latter to the former and established a legal framework under the Taiwan Relations Act to govern extensive, albeit unofficial, U.S. ties with the people and administration on Taiwan. Maintaining an appropriate balance in U.S. policy toward mainland China and Taiwan was difficult as leaders in Beijing and Taiwan saw U.S. policy as central to their respective strategies against one another. Beijing and Taipei repeatedly pressed for advantage in relations with the United States that would support their position against their adversary.
- In the late 1980s, the U.S.-PRC-Taiwan triangular relationship began to change in important ways. In particular, the Nationalist administration on Taiwan began to allow large scale contacts and exchanges between Taiwan and mainland China. Trade, tourism, and investment from Taiwan to the mainland grew rapidly and tensions along the Taiwan Straits eased greatly. Beijing and Taiwan continued to compete for international standing and influence, especially in relations with the United States, but the burgeoning contacts had the effect of easing the heretofore zero-sum game quality of U.S. relations with the PRC and Taiwan. No longer did Beijing always assume that improved U.S.-Taiwan relations came at its expense, nor did Taipei necessarily conclude that improved U.S.-PRC relations were against its interests. Up to the present, growing PRC-Taiwan contacts have

¹ For background, see among others, Ralph Clough, *Island China*, Cambridge, MA, 1978, Thomas Gold, *State and Society in the Taiwan Miracle*, Armonk, NY, 1986, and Hung-mao Tien, *The Great Transition: Political and Social Change in the Republic of China*, Stanford, 1989.

² The intervention also effectively blocked any possible Nationalist assault on the mainland from Taiwan.

occupied leaders in Beijing and Taipei, who have worked out strategies to deal with the new situation that have placed somewhat less immediate importance on the role of the United States.

U.S. policymakers have welcomed this new situation. The PRC-Taiwan contacts have reduced the respective pressures that those governments have applied on the United States, thereby increasing the room for maneuver the United States has as it pursues American interests in relations with both sides of the Taiwan Straits. Nevertheless, the increased across-Straits contacts add another element of change and uncertainty to a U.S.-China policy already attempting to deal with several other new elements, notably:

- The collapse of nascent political reform in the PRC after the June 1989 Tiananmen crackdown and the concurrent sharp negative shift in U.S. attitudes toward the PRC;
- The collapse of the Soviet empire and the decline of the previous U.S. need for good relations with Beijing as a strategic asset against Moscow;
- The continued democratization and economic progress on Taiwan—a trend giving increased stature to the regime in the United States and elsewhere;
- Amid worldwide movements pressing for national or ethnic independence, the emergence of a vocal opposition group in Taiwan calling for formal independence of the island (Beijing has said it will use force to prevent Taiwan independence);
- The increasing economic integration of Taiwan and Hong Kong with nearby PRC coastal provinces, raising issues for a possibly distinct U.S. policy toward this area, sometimes called "greater China";
- The uncertainty surrounding leadership situations in Beijing and Taipei—leadership shifts could result in possible shifts in policies affecting U.S. interests in PRC-Taiwan relations.

The report first provides a brief background analysis of PRC-Taiwan relations since the Korean War, the central role played by the United States in those relations and an assessment of why and how PRC-Taiwan contacts began to develop rapidly in the late 1980s. The next section provides an analysis of the current approaches adopted by the PRC government, and by the government and opposition in Taiwan, regarding Taiwan-mainland relations. It shows how those strategies reflect or take into account important domestic and international trends, including those noted above, that affect policies in Beijing and Taipei and their relations across the Taiwan Straits. Separate sections examine prospects for PRC-Taiwan relations and policy implications for the United States. Appendices provide statements and other documentation setting forth the official stance of the PRC and the Taipei government regarding PRC-Taiwan relations.

It is assumed that readers already familiar with the background, or those most interested in current policy concerns, will turn to those sections (e.g., pages 11-21) skipping much of the explanation as to how the PRC, Taiwan and the United States have arrived at this current juncture in their respective policies.

BACKGROUND: TAIWAN-MAINLAND RELATIONS SINCE THE KOREAN WAR

The rivalry between the Chinese Communist government in Beijing and the Nationalist administration in Taiwan has deep roots in the civil conflict that marked the history of China during much of the first half of the 20th Century. The Communists won the civil war on the mainland and established the People's Republic of China (PRC) in 1949; the Nationalists under Chiang Kai-shek retreated in disarray to Taiwan.³ It appeared that it would be only a matter of months before the PRC attacked and conquered Taiwan, but the outbreak of the Korean War in June 1950 prompted the United States to intervene, sending the Seventh Fleet to block the expected invasion. By October, PRC forces had entered Korea to throw back the allied march north after the defeat of North Korean forces following General Douglas MacArthur's dramatic landing at Inchon. Three years of bitter U.S.-PRC warfare followed.

For the next two decades, U.S. strategy in Asia centered on forward-deployed military forces, alliance relations, and foreign assistance programs in Asia designed to "contain" the suspected expansionism of the PRC and its associates in the region. As part of this approach, the United States sided firmly with Chiang Kai-shek's Nationalists in Taiwan, provided billions of dollars in military and economic aid, and encouraged Taiwan's economic development through advice, favorable trade and aid policies, and other programs. The United States continued to recognize its government as the sole legal government of China, and supported its continued occupation of the China seat on the U.N. Security Council. The U.S. joined with Taiwan forces in defending approaches to Taiwan in the face of PRC military attacks in 1954-55 and 1958. In 1954, the U.S. signed a formal defense treaty with Taipei.

Chiang Kai-shek's Nationalist government often chafed under the constraints imposed by the United States (e.g., the United States repeatedly discouraged large-scale Nationalist military action against the mainland). But the U.S. provided needed aid, defense support, and international political support. Taipei was well aware of its dependency on the United States and adjusted its actions accordingly.

³ Taiwan had been under Japanese colonial rule for 50 years but had been returned to Chinese rule at the end of World War II. The Nationalist authorities were often resented as new colonial masters by people in Taiwan, especially after the so-called February 28, 1947, incident which saw the arrest and murder of thousands of Taiwan residents suspected by Nationalist authorities. See Clough, *Island China*, and Tien, *The Great Transition*.

Throughout this period, Beijing faced a hostile rival regime in Taipei that claimed to be the legitimate government of China, was backed firmly by the United States, and enjoyed widespread international standing. Employing both hard and soft tactics, the PRC leaders in the 1950s repeatedly used force in the Taiwan Straits in an effort to demonstrate PRC resolve not to accept the status quo and ultimately to "liberate" Taiwan, as well as diplomatic initiatives designed to probe for openings in the U.S.-Taiwan relationship. Taiwan policy received less attention in the 1960s as PRC leaders wrestled with massive, disastrous economic, social, and political consequences of the Great Leap Forward and the Cultural Revolution. In foreign affairs, China isolated itself from most sources of world support and stood in confrontation to both the United States and the Soviet Union.⁴

U.S.-PRC Rapprochement

In the late 1960s, a convergence of strategic needs drove Beijing and Washington closer together, leading to the Sino-American rapprochement seen during President Nixon's 1972 visit to China. The United States needed a means to sustain a favorable balance of power in Asia while withdrawing over 600,000 troops from Indochina and elsewhere in Asia under terms of the Nixon Doctrine, and a means to balance the growing power and assertiveness of the Soviet Union. The PRC faced a new and growing Soviet military threat along its northern border and needed the relationship with Washington to counter Soviet threats and intimidation.⁵

In the interests of solidifying U.S. relations with Beijing in the so-called great power triangular relationship (i.e., U.S.-PRC-USSR), U.S. leaders increasingly accommodated Beijing's demands regarding U.S. policy in the U.S.-PRC-Taiwan triangular relationship. Throughout the 1970s, the United States gradually cut back its military presence in Taiwan and in 1979 it ended official relations, including the U.S.-Taiwan defense treaty, in order to establish formal relations with Beijing as the sole, legal government of China.⁶ The U.S. shift was accompanied by a massive decline in Taiwan's international standing as

⁴ For background on the PRC policy see among others, A. Doak Barnett, *China and the Major Powers in East Asia*, Brookings, 1977.

⁵ The early years of the rapprochement are reviewed in Barnett, *China and the Great Powers*. The more recent years are reviewed in Harry Harding, *A Fragile Relationship: The United States and China Since 1972*, Brookings, 1991.

⁶ In the process, the United States put aside its stance of the 1950s and 1960s that Taiwan's official status remained to be determined, in favor of a position that did not quarrel with the stance of Chinese on both sides of the Taiwan Straits that Taiwan was part of China. The most important U.S. positions included those taken in the February 28, 1972, Shanghai communique, and statements at the time of U.S.-PRC diplomatic normalization in December 1978. See Harding, *A Fragile Relationship*.

scores of countries switched to Beijing and Taiwan withdrew or was excluded from the U.N. and other international organizations.

Beijing endeavored to capitalize on its enhanced stature and Taipei's growing international political (but not economic) isolation. It followed a carrot and stick policy of concurrent gestures and pressures designed to bring Taipei into formal negotiations on reunification. Carrots included ceasing the largely symbolic PRC artillery barrages against the Nationalist-held offshore islands of Quemoy and Matsu, launching a series of official statements underlining Beijing's flexibility regarding conditions for Taiwan's return to the mainland, and gestures designed to encourage the so-called "three communications" (i.e., direct mail, trade and transportation) between Taiwan and the mainland.⁷

The PRC's success in negotiating an agreement with Great Britain in 1984 calling for Hong Kong's return to the mainland in 1997 prompted Deng Xiaoping and other senior PRC leaders to hold up the "one country-two systems" approach used in that accord as a model for Taiwan's reunification. Deng and others promised that not only would the political, economic, and social system in Taiwan be guaranteed, as in the case of Hong Kong, but Taiwan would be able to maintain its separate defense forces.

The PRC "stick" took various forms. Taipei leaders were warned—some times with allusions to possible PRC use of force—against undue delay, with PRC leaders repeatedly asserting that the so-called Taiwan issue must be settled in the 1980s. America and others with unofficial contacts with Taiwan were repeatedly pressed to cut back those ties in sensitive areas, especially the sale of weapons. They were also warned against efforts to boost Taiwan's international standing through membership in international governmental organizations.

The Challenge to Taipei's Legitimacy and Taipei's Response

These developments posed the most serious challenge for the Nationalist administration in Taiwan since the retreat from the mainland in 1949.⁸ Taipei officials were loath to enter talks with the PRC on reunification. In part, this reflected their sense that they would be the decidedly weaker party in the talks and that Beijing would likely use the negotiations to further undermine U.S.

⁷ Beijing's approach is reviewed in Harding, *A Fragile Relationship*; Qingguo Jia "Changing Relations Across the Taiwan Straits—Beijing Perceptions," *Asian Survey*, March 1992, and Hung-mao Tien, "The PRC Approach Toward Taiwan." Conference paper, Penn State University, July 1991.

⁸ Reviewed in, among others, Robert Sutter, *Taiwan—Entering the 21st Century*, Asian Society, 1988.

and other backing for Taiwan as a separate entity,⁹ thereby leaving little alternative other than acceptance of PRC terms. In part, it reflected Taipei's awareness that the vast majority of people in Taiwan had little attachment to the mainland regime. They might interpret Nationalist-Communist talks on reunification as a thinly disguised effort by Nationalist officials to "sell out" local interests for the sake of their personal gain. They might take to the streets to register their opposition.

At the same time, the international developments undercut the main political rationale for the Nationalist administration on Taiwan. The government of the "Republic of China (ROC)" in Taipei was dominated at senior levels by refugees from the mainland—"mainlanders"—who represented only about 15 percent of Taiwan's total population. It was an authoritarian, one-party state that gave little voice at the national level to the 85 percent of the population whose roots in Taiwan went back centuries before 1949 and whose identity with the mainland was blurred—"Taiwanese."¹⁰ Nevertheless, all in Taiwan paid taxes, military service, and other means to support the Nationalist government. The fact that Chiang Kai-shek was able to point to U.S., U.N. and other international recognition of the ROC as the legitimate government of China helped to justify his demands that citizens of Taiwan support the regime. As U.S. and other world backing declined rapidly, Taipei had to find new sources of political legitimacy.

Under the leadership of Chiang Kai-shek's son, Chiang Ching-kuo, who ruled as premier prior to the elder Chiang's death in 1975 and then served as president from 1978 until his death in 1988, the Nationalist administration adopted a multifaceted reform program designed to build a strong political base of support for the regime on the island. Critical elements included:

- The government fostered rapid economic development and modernization of Taiwan in the 1970s and 1980s—development accomplished with a relatively egalitarian distribution of wealth and social-educational benefits throughout the society;¹¹
- A major affirmative action program designed to bring native Taiwanese into the ruling Nationalist party and into the national government, including the military, at senior as well as other levels;

⁹ Most notably after derecognition of Taipei, the United States in 1979 passed the Taiwan Relations Act, which gave a legal framework for continued U.S. "unofficial" relations, including arms sales and other sensitive exchanges, with Taiwan as an entity separate from PRC control.

¹⁰ In the minds of many Taiwanese, the Nationalist rule was a pseudo-colonial rule of the island following 50 years of Japanese colonial rule. See Tien, *The Great Transition*.

¹¹ This growth was especially favorable to the indigenous Taiwanese who tended to dominate the economy of the island.

- A gradual political liberalization encouraging local, provincial, and national elections which selected some top decisionmakers in government and served as indirect referenda on the state of Nationalist party rule.

By the 1980s, the Nationalist regime under the leadership of Chiang Ching-kuo and his successor, Lee Teng-hui (a Taiwanese), had initiated a series of reforms that put the government's legitimacy more firmly into the hands of the people on Taiwan and reflected more closely the interests of the people there. In particular:

- Martial Law was lifted;
- Opposition parties were allowed to organize and their candidates to run for elections;
- Censorship and sedition regulations were eased;
- Political prisoners were released.

In the 1990s, President Lee and the Nationalist leadership undertook major reforms of national government bodies. By December 1991, all legislators and National Assembly members elected on the mainland over 40 years earlier were retired.¹² A newly elected National Assembly representing predominantly people from Taiwan undertook to amend the constitution; an election to make the National Legislature predominantly representative of the people in Taiwan was slated for late 1992, and an election of a new president under terms of the revised constitution was slated for 1996.¹³

Loosened governmental control and greater concern for popular opinion in Taiwan meant that Nationalist leaders could no longer block Taiwanese from traveling to or doing business with the mainland. Although few in Taiwan showed any interest in accommodating with the PRC politically, business interests backed by press and popular opinion showed great interest in economic opportunities on the mainland where labor, land and other costs were often much lower than in Taiwan. Moreover, many in Taiwan wished to visit long

¹² Many such legislators had died in the 40-year period, posing a challenge for the government which remained interested in showing some representation from regions throughout China.

¹³ In the past, the National Assembly generally served to amend the constitution and to act as an electoral college in choosing the President. The National Legislature was the main law making body. The National Assembly broadened its responsibilities in passing constitutional amendments in 1992. See *Free China Journal*, June 23, 1992.

separated family members or to travel around the mainland as tourists. PRC leaders strove to facilitate such trade, travel, and other exchanges.¹⁴

Faced with popular pressure to increase contacts with the PRC, the Nationalists took a series of measures to regulate the strong flow of contacts and control their policy implications. President Lee Teng-hui convened a National Unification Council in October 1990, to advise on these matters, and later that year, a Mainland Affairs Council was set up under the prime minister to direct cabinet level policy on Taiwan-mainland relations. As part of his political reform program, President Lee in May 1991 ended the state of civil war with the PRC and opened the way to official contacts under the "one country-two governments" formula—a formula known to be unacceptable to Beijing.¹⁵ To deal with the many practical issues that arise given extensive exchanges across the Straits, an ostensibly unofficial body, the Straits Exchanges Foundation, was established and after some uncertainty proved able to deal with important practical issues. The PRC set up a counterpart body, known as the Association for Relations Across the Taiwan Straits, in December 1991. Taiwan passed a law, on July 16, 1992, to govern the growing exchanges with the mainland.¹⁶ (See Appendix for major organizations in Taiwan and the mainland that deal with Taiwan-mainland relations.)

The main opposition party in Taiwan, the Democratic Progressive Party (DPP), viewed the progress in PRC-Taiwan relations with some concern. Party leaders were careful not to stand against the popular support for greater Taiwan trade, investment, and other unofficial exchanges with the mainland; but they opposed the Nationalists' repeated calls for eventual reunification, and recently have argued that a plebiscite should be held in Taiwan to determine Taiwan's future status. DPP calls for self-determination were followed by calls for independence¹⁷ and sometimes prompted harsh warnings from Beijing that it would resort to force to prevent moves toward formal separation of Taiwan from the mainland. In elections during late 1991, Nationalist leaders were effective in referring to the PRC "threat" to encourage voters in Taiwan to steer away from "radical" DPP candidates and support the Nationalists and the status quo.

¹⁴ See among others, Dennis Van Vranken Hickey, "Will Inter-China Trade Change Taiwan or the Mainland?," *Orbis*, Fall 1991, p. 517-531, and Natale Bellocchi, "U.S. Perceptions of Taiwan's Democratization and Reunification," conference paper, Penn State University, July 1991.

¹⁵ Taiwan officials have sometimes used formulas other than "one country-two governments" to describe their position. The law governing relations with the mainland, passed July 16, 1992, referred to "one country and two areas." See *Free China Journal*, July 21, 1992. PRC officials have refused to endorse formulas which give official status to Taipei as an independent political entity.

¹⁶ For background, see CRS Issue Brief 92038, Taiwan: Recent Developments and U.S. Policy Choices by Robert Sutter (regularly updated).

¹⁷ Supporters of a plebiscite for self-determination often assumed it would lead to results favoring independence.

At the same time, DPP leaders capitalized on Beijing's relentless diplomatic competition against Taipei to argue that Taiwan would be better off internationally as a *de jure* separate state than in its current claimed status as the government, or at least one government, in China. In response to this challenge, Nationalist leaders have pursued more pragmatic diplomacy. In particular, Taipei has been willing in recent years to establish official relations with countries, even though they may also have relations with Beijing. Beijing rejects this "one China-two governments" formula. Up to now, Taipei's efforts, backed by a generous foreign aid program, have won diplomatic recognition from an handful of small states. More important results have been achieved through Taipei's efforts to upgrade ostensibly unofficial representative offices in a number of important developed and developing countries.¹⁸

Current Status of Taiwan-Mainland Exchanges¹⁹

Taipei's new openness to contacts with the mainland has resulted in remarkable progress in some areas—mainly economic and other unofficial contacts. There has been a good deal of activity as well on the political side of the relationship, but Taipei's complicated three stage approach leading to talks on reunification with the mainland (see Appendix) is widely seen as an indirect but effective tactic to slow any movement toward formal PRC-Taiwan talks on reunification which Taipei sees as adverse to its interests. Meanwhile, the critical figures on PRC-Taiwan contacts since 1987 include:

- Over three million visits of Taiwan residents to the mainland—but only 20,000 mainland visitors went to Taiwan;
- Trade, mainly conducted via Hong Kong, grew to \$5.8 billion in 1991 and was heavily in Taiwan's favor;
- Total Taiwan investment, mainly in Fujian Province and other coastal areas, amounted to over \$3 billion in 3,000 enterprises. Taiwan is now the second largest outside investor on the mainland, after Hong Kong which has total investments of \$25 billion.

The crucial role of Hong Kong as a conduit for Taiwan trade and investment in the mainland also has prompted Taipei to put aside its formal refusal to recognize the legitimacy of the PRC-British accord returning Hong Kong to PRC sovereignty in 1997, and to make preparations to deal with the new situation. Taiwan already has 2,500 companies doing business in Hong Kong; the Taipei Trade Center Hong Kong and other quasi-official

¹⁸ For background, see Issue Brief 92038 and CRS Report 92-62F, Taiwan's National Assembly Elections, 1991 by Robert Sutter, January 10, 1992.

¹⁹ Recent coverage of this subject appears in *Far Eastern Economic Review*, and Foreign Broadcast Information Service, *Daily Report, China*. This section also relies on the author's interviews with officials in the PRC and Taiwan in May and June 1992.

representative offices in Hong Kong have been assisting Taiwan investors to establish operations there.²⁰

Politically, both Beijing and Taipei have generated numerous proposals (see appendix) and employed varied forums to get their respective messages across, but their basic positions remain far apart.

The core of Beijing's approach calls for Taiwan's reunification with the mainland under a "one country-two systems" formula, whereby Taiwan would revert to Chinese (Beijing's) control but would be guaranteed a great deal of autonomy by Beijing for a long period of time. PRC leaders stress an approach of "peaceful reunification" through party-to-party talks between representatives of the ruling Communist Party on the mainland and the ruling Nationalist Party on Taiwan. They acknowledge that the opposition DPP in Taiwan may also be a participant in such talks. To build mutual interest and trust between the mainland and Taiwan, Beijing encourages the so-called three communications—direct mail, trade, and transportation. Beijing also facilitates Taiwanese investment throughout the PRC, but especially in nearby regions, notably Fujian Province. Beijing refuses to rule out the possibility that it would be compelled to resort to the threat or the use of force to prevent Taiwan from declaring independence, developing nuclear weapons, aligning with a hostile power or unduly delaying the reunification process.

For its part, Taipei used to stick firmly to the position that there could be only one legitimate government of China—i.e., the ROC in Taipei. The collapse of its official international standing, the passing of old guard leaders loyal to Chiang Kai-shek's legacy, and popular, media, and business pressure on Taiwan to open ties with the mainland resulted in Taipei's shift to a position ending the official state of civil war and accepting a stance of one China-two governments. In effect, Taipei now argues that there are two political entities in China and that reunification of China must take them into account. Taipei also argues that whatever unification takes place should be peaceful and democratic, suggesting changes will be required in Beijing's stance on the use of force and its Communist-dominated political system. Finally, Taiwan officials are frank in noting they seek a "gradual" process in three phases and that uppermost in their minds will be the need to respect the rights and interests of the people in the Taiwan area. The three-phase process, which is only now entering phase one, involves first a phase of "exchanges and reciprocity," then a phase of "mutual trust and cooperation," and finally, a phase of "consultations and unification" (see Appendix).²¹

²⁰ On Taiwan's approach to Hong Kong, see *Free China Journal*, March 24, 1992, p. 7.

²¹ Some well informed American experts privately judge that what they see as the unstoppable movement toward democratic decisionmaking in Taiwan will continue to restrict Taipei's willingness or ability to engage in talks on reunification with the mainland for some time to come. The difficulty in coming up with enough support to allow for forward movement on this sensitive issue is said to be formidable. Most recently, they claim that the Nationalist

INTERESTS AND POLICY APPROACHES OF MAINLAND CHINA, TAIWAN AND THE UNITED STATES

The PRC

Although PRC leaders were unsuccessful in their stated goal of using Beijing's international advantage and Taiwan's isolation in order to achieve Chinese reunification in the 1980s, they remain determined to pursue reunification terms favored by the PRC. In general, their current approach to Taiwan is based on what they see as the mixed results of recent trends regarding mainland-Taiwan relations.²²

On the positive side, Chinese officials point to several notable accomplishments in recent years:

- Markedly reduced military-political tension in the Taiwan Straits area;
- Greater economic integration of Taiwan and the mainland, replacing the economic separation that prevailed until recently. One result has been to add to the booming south China economy;
- Increasing contacts, especially by people from Taiwan traveling to the mainland;
- The breakdown of Taipei's previous policy of "the three Nos"—no contacts, no negotiations, no compromise. At present, there is a consensus on both sides of the Taiwan Straits that exchanges and contacts are good, even though Taipei insists that its restrictions on "official" contacts, negotiations and compromise have not been breached.

The positive trends are balanced by Chinese officials' frustrations over what they see as the slow pace of change, and by their anxiety over other trends affecting PRC-Taiwan ties.

- The exchanges with Taiwan are still indirect (e.g., much goes through Hong Kong); one way (over 3 million Taiwanese visits to

authorities were only able to gain legislative approval of a long pending bill to govern contacts with the mainland by promising the political opposition and others more political reforms in areas important to them. This type of bargaining is typical of democracies, but such democracy is said to make decisive action on reunification by Taipei unlikely for some time to come. Interviews, Washington, D.C., July 25, 1992.

²² A recent review is provided in Qingguo Jia, "Changing Relations Across the Taiwan Strait: Beijing's Perceptions." *Asian Survey*, March 1992. This section also relies on interviews conducted in the PRC in May-June, 1992.

the mainland,²³ but only 20,000 mainland visitors allowed to visit Taiwan); non-official (Taipei refuses official contacts unless Beijing recognizes Taiwan's official status, which Beijing refuses to do); and developing only gradually in the political area.

- Internal politics in Taiwan concerns the PRC on several points:
 - a) The DPP, with its stance favoring Taiwan independence, may grow in stature despite its setback in the December 1991 elections;
 - b) The Nationalist Party is divided among mainlander old guards and indigenous Taiwanese. Beijing is concerned on the one hand that the Nationalists won't be able to sustain a firm stance against Taiwan independence if Taiwanese in the Nationalist Party align with the DPP on the issue. On the other hand, it also worries that even Nationalist Party mainlanders are pursuing a deliberately slow policy on reunification in anticipation that the Communist system on the mainland will succumb to pressures felt by other communist regimes and collapse or change more gradually into a more democratic, free market state more compatible with Taiwan's interests.
- The United States and other countries seem prepared to give more support to Taiwan. The end of the Cold War has reduced PRC influence among developed countries, whereas Taiwan's prosperity and democratization have attracted favorable attention. Increasingly high level visitors, formal agreements and even the sales or transfers of new weapons systems have worried PRC officials.

Against this backdrop, Beijing continues to follow its carrot and stick approach of the past designed ultimately to achieve reunification along the lines of the one country-two systems formula. There is little optimism among PRC observers that the big breakthrough in relations called for in the 1980s will be achieved any time soon, but Chinese officials continue to voice optimism about the longer term trends. Sometimes, they also repeat old warnings to Taipei that if reunification is delayed too long the "forces of history" ultimately will "crush" those who stand in the way of Chinese reunification.²⁴

On the positive side, Beijing continues to offer attractive economic incentives for greater Taiwan trade and investment in the mainland; it attempts

²³ It is important to note that since many from Taiwan are repeat visitors to the mainland, far less than 3 million residents from Taiwan have traveled to the mainland.

²⁴ Interview with PRC officials responsible for Taiwan affairs, Beijing, May 23, 1992.

to accommodate Taiwan concerns in order to facilitate cultural, academic, business, and other exchanges; and it generally expresses patience with Taipei's slow approach regarding political contacts. Mainland Chinese officials also are well aware that their smooth handling of the transfer of Hong Kong to PRC sovereignty and control in 1997 will have a major impact on how people in Taiwan will perceive possible reunification with the mainland. Some in China also judge that smoothly handling Chinese economic reform and renewing significant political reform on the mainland would reduce mainland-Taiwan differences and enhance prospects for reunification.

On the other hand, Beijing continues to believe that pressures in various forms also must be applied in order to prod Taipei to the negotiating table. Thus, the warnings against Taiwan independence or undue delay on reunification are repeated occasionally and backed by PRC military activities, including a continued buildup in Beijing's naval and air forces. Chinese diplomats work assiduously to keep Taiwan as isolated as possible in the official world community—a trend made more difficult by recently growing international interest in including representatives of Taiwan's vibrant economy in international deliberations. Some officials on the mainland also aver that in the near future the mainland will develop economically to such a degree that it will be able to challenge and undermine Taiwan economically; in order to survive, Taiwan businesses will have to link up with mainland enterprises. By manipulating the China market, these officials judge, Beijing will gain considerable leverage over Taiwan and prod Taipei toward reunification talks.²⁵

Variables affecting the PRC approach in the future relate to events in Taiwan, international support for Taiwan and possible changes in the PRC. Western analysts often focus on how these developments could challenge and force a change in the PRC approach. Notable challenges would be posed by an accelerated trend toward Taiwan independence; markedly higher U.S., western and other international support for Taiwan; or a leadership succession struggle in the PRC where nationalistic issues like policy toward Taiwan figured prominently. An alternative view stresses the common economic interests of Taiwan, the mainland coastal provinces, and Hong Kong. It argues that this rapidly growing economic area—called "greater China" by many—will become increasingly integrated economically and that the economic integration will break down barriers and foster an unstoppable trend toward greater political cooperation and eventual reunification.²⁶ This view sometimes also judges that

²⁵ Interview with PRC officials responsible for Taiwan affairs, Beijing, May 22, 1992.

²⁶ Reunification under these terms might be more compatible with Taipei's current stance than with Beijing's as it appears to assume such major economic and perhaps related political change on the mainland that it remains uncertain that the communist system there as we know it today would continue to exist.

the PRC leadership that succeeds the current "old guards" will likely be more flexible on dealing with issues like Taiwan than the current PRC leadership.²⁷

Taiwan²⁸

Taiwan leaders' approach to the mainland reflects many of the same international trends and developments in mainland China and Taiwan seen in the PRC leaders' approach. But Taiwan's posture also reflects the ongoing political debate on the island regarding its future identity and relationship with the mainland. Under the authoritarian rule of Chang Kai-shek and Chiang Ching-kuo, the Nationalist Party was generally able to sustain unity on this issue and to impose its views on the sometimes unsympathetic Taiwanese populace. Growing democratization in Taiwan has meant that the government's view and that of the DPP opposition now must take into account the often competing interests and perspectives of business, media, intellectual, and other groups. In general, there are two major poles of opinion reflecting Taiwan's current approach to the mainland, one centered on the ruling Nationalist Party and the other on the opposition DPP.

Within the Nationalist Party, there is a wide spectrum of views ranging from old guard mainlanders who place reunification very high on their preferred list of national priorities, to Taiwanese politicians who merely go through the motions in expressing an interest in reunification as they focus on issues relating to Taiwan's development and prosperity. Nevertheless, the party has come to agreement on major points reflected in the government's current basic approach to the PRC. In particular:

- They favor some economic exchanges with the mainland, but wish to place some limits on trade and investment in order to avoid making the Taiwan economy heavily dependent on the mainland;
- They prefer to wait—or at least to go slow—on significant political exchanges. At bottom, it is judged that the time is not right for significant political exchanges with Deng Xiaoping and Beijing's old guard, who will die soon. Any understandings reached could easily fall victim to the expected leadership succession struggle in Beijing. It is better to wait for a more

²⁷ See among others Hung-mao Tien, "The PRC Approach to Taiwan." Conference paper, Penn State University, July 1991.

²⁸ This section relies on such sources as Ma Ying-jeou, "The Republic of China's Policy Toward the Chinese Mainland," *Issues and Studies*, February 1992; Thomas Ching-peng Peng, "President Lee's Ascent to Power and His Reform Program." Conference paper, Penn State University, July 1991; Hungdah Chiu, "Constitutional and Political Reform in the ROC and Relations Across the Taiwan Straits." Conference paper, Center For Strategic and International Studies, Washington, D.C., May 13, 1991, and deliberations at a Library of Congress symposium on Taiwan, April 3, 1992.

stable successor leadership to emerge. Moreover, waiting could play to Taiwan's advantage as the Communist system in the mainland may be subject to pressures for reform that might lead to rapid or more gradual political change that could make reunification more acceptable to Taiwan.

In the meantime, Taiwan has stressed the importance of maintaining a strong national defense. It has endeavored to upgrade its armed forces through transfers from the United States, its chief supplier, indigenous development, and increased contacts with other suppliers, notable France. The Taipei administration has decided to deal pragmatically with the consequences of Hong Kong's reversion to PRC control, despite the fact that it refuses legally to recognize the PRC-British agreement. The Nationalist leaders have also attempted to deal pragmatically with the consequences of Taiwan's international isolation by practicing flexible diplomacy (i.e., establishing relations with states which already have official ties with Beijing); attempting to return in some capacity to official international bodies from which Taiwan has been excluded (e.g., the UN, GATT); and upgrading the important "substantive" relations and exchanges Taiwan has on an ostensibly unofficial basis with many developed and important developing countries.

Within the opposition party, the DPP, there are also major divisions on the reunification/independence debate, with one wing of the party calling for rapid movement toward independence and another favoring a more low keyed approach that would avoid antagonizing the ruling Nationalist leaders or the PRC by flaunting the independence banner. Nevertheless, the party has agreed on some common points regarding Taiwan-mainland relations, including:

- The DPP endorses Taiwan-mainland economic exchanges;
- It expresses concern over Nationalist Party intentions, especially on the part of Nationalist mainlanders who are suspected to be seeking some way to achieve a reunification agreement that the DPP would see as a "sell out" of Taiwanese interests;
- The DPP hammers away at the Nationalist government's lack of great success in improving Taiwan's official international isolation, with some DPP leaders arguing that an independent Taiwan would enjoy much more world support than the current ROC government which claims to be the government of China;
- Like the Nationalists, the DPP also wants to wait before undertaking significant political talks with the mainland. In large measure, they want to wait at least until the completion of Taiwan's planned political reform over the next few years which they judge should give the party greater influence in the government and provide an atmosphere more conducive to the DPP's stance of national self determination and independence.

Variables important in determining Taiwan's future approach continue to center on PRC actions; actions by the United States and to a lesser degree other nations; and the extent of unanimity or discord in Taiwan over these issues. Regarding the PRC, for example, it seems logical to assume that if the PRC reforms markedly in both economic and political ways, it will become more like Taiwan and reunification under these conditions would be easier for Taiwan to consider than it is today.²⁹ If the PRC leaders fall into a chaotic struggle for power that undermines the current economic reforms and prolongs political repression, this trend logically would seem to prod Taiwan leaders to move away from the mainland and toward a more independent posture. If the PRC leadership transition is prolonged and the outcome unclear, this may cause Taiwan leaders to grow impatient with their current approach. Under these circumstances, advocates of self determination and independence could become more outspoken, especially as mainlander old guard Nationalists in Taiwan pass away.

The United States³⁰

In considerable measure because of its unique role in protecting, nurturing and interacting closely with Taiwan's development since 1950, and its continued position as the most powerful military force along the rim of East Asia, the United States remains by far the most important international actor in the mainland-Taiwan relationship. In general, U.S. policy follows a "have your cake and eat it too" approach designed pragmatically to obtain maximum U.S. benefit from U.S. interaction with both the PRC and Taiwan. Features of the U.S. approach include:

- Efforts to trade, invest and conduct other economic exchanges with the mainland and Taiwan;
- U.S. refusal to get directly involved in promoting negotiations between the PRC and Taiwan, but emphasizing U.S. interest in the peaceful settlement of PRC-Taiwan differences;
- Since the changes in U.S. foreign policy brought about by the end of the Cold War, the collapse of Communist regimes in various parts of the world and the strong U.S. antipathy against Beijing over the Tiananmen massacre and other issues, the United States has down-graded the importance it places on the PRC.

²⁹ Some envisage a loosely defined "commonwealth" as providing a framework for eventual reunification along these lines.

³⁰ For background, see among others, N. Bellocchi, "U.S. Perceptions of Taiwan's Democratization and Reunification." Conference paper, Penn State University, July 1991; James Lilley, "A Formula For Relations Between China and Taiwan," *Asian Wall Street Journal Weekly*, September 30, 1991; and David M. Lampton, "America's China Policy: Developing A Fifth Strategy," *Proceedings of the Academy of Political Science*, Vol. 38, No. 2, p. 149-163.

Concurrent economic prosperity and democratization in Taiwan have prompted a somewhat more positive U.S. approach to Taiwan;

- Nevertheless, few in the United States want to take a radical step, such as restoring official relations with Taiwan, that in the judgment of many would endanger peace in the Taiwan Straits and strongly alienate the U.S. from the PRC for a long time.

Role of Congress: In the recent past, Congress and the Administration at times have been at odds over policy in this area, with Congress adopting a stance more supportive of U.S. interests in Taiwan than the Administration preferred. For example, at the time of the Carter Administration's decision to normalize relations with Beijing and break ties with Taiwan, many in Congress judged that the Administration had provided insufficient safeguards for U.S. interests in Taiwan. They set about to heavily amend the draft Taiwan Relations Act that was to provide the legal basis for continued U.S. ties with Taiwan. In the end, the Act (P.L. 96-8) clearly implied that the United States would continue to support the people of Taiwan from pressure from the mainland—a stance that appeared to some U.S. observers and to the PRC government to be in implicit contradiction with the Administration's normalization communique with Beijing, which they saw as implying that the United States expected Taiwan to be reunified with the mainland.³¹

More recently, the strong antipathy in Congress toward the PRC and Congress' generally favorable view of Taiwan have prompted some in Congress to go beyond the features of current U.S. policy noted above. In one case, this has seen some Members pushing the Administration to provide greater political, economic and military support for the Nationalist Party dominated government through supporting initiatives to allow Taiwan to enter the GATT before the PRC, to provide the Taiwan armed forces with advanced U.S. jet fighters, or other steps. Another trend has seen Members long associated with the DPP and groups of Taiwanese-Americans who back the party come out in favor of Taiwan self-determination.

³¹ Beijing leaders were quick to point to the seeming contradiction but U.S. officials have generally preferred to adopt a policy that supports both the communique and the Taiwan Relations Act. Not all American experts see such a contradiction, or an implication that the normalization communique seemed to move U.S. policy in a direction of Taiwan's reunification with the mainland. Some judge that a careful reading of the English language text of the normalization communique supports their contention, though they acknowledge that the Chinese language text seems to imply support for reunification. They are careful to note that the United States recognizes the English language text as the official text. Interview, Washington, D.C., July 29, 1992.

PROSPECTS

The mix of the PRC, Taiwan and U.S. approaches with the range of international and internal factors affecting PRC-Taiwan relations lead to several general conclusions about the prospects of mainland-Taiwan relations.

- Economic contacts are likely to continue and probably to expand substantially. The comparative economic advantage of Taiwan entrepreneurs investing in and trading with the mainland appears to be likely to remain strong. The PRC authorities encourage this trend and the Taiwan authorities do not seem prepared to bear the serious domestic political costs of trying to cut back or severely limit such exchanges.
- Cultural, social, intellectual, and even political exchanges will also grow. Both sides will emphasize their willingness to engage in dialogue, build trust and promote mutual understanding. But no breakthrough regarding talks over reunification appears likely. As in the past, Taiwan continues to keep its foot on the brake in this area, fearing that entering talks on reunification under current circumstances would put it in a weak and disadvantageous position. At minimum, there seems to be agreement in Taiwan that meaningful talks must await the passing of Beijing's old guard Communists and the establishment of a stable successor government. Understanding reached with Beijing now runs the risk of being overturned in a political succession struggle. This posture has the added benefit for Taiwan in that it buys time to wait to see if economic reform will continue on the mainland and perhaps lead to political reforms and moderation that will make a future Beijing government easier to deal with. The passage of time might also allow Taiwan leaders to work toward a more unified posture on dealing with the mainland than has been seen in Taiwan in recent years. In any event, the DPP leaders are currently in agreement with the Nationalists that talks with the mainland should be delayed if only because they want to wait for the completion of political reforms in Taipei over the next few years that would presumably make government institutions there more representative of their interests.

Critical variables likely to affect the pace and direction of future mainland-Taiwan relations that bear watching by U.S. policymakers include:

- The PRC leadership succession;
- Taiwan leadership, especially its ability to handle the sensitive question of self-determination-independence;
- Hong Kong's transition to PRC rule;

- The success of economic integration among Hong Kong-Taiwan-coastal China—the so-called “greater China”;
- International actions, especially actions by the United States;
- Relative change—through acquisition of advanced military equipment or other means—in the military balance in the Taiwan Straits.³²

U.S. POLICY OPTIONS

U.S. policymakers in Congress and the Administration currently face two general policy options. One option, advocated by some in Congress, argues for a more assertive U.S. effort to support perceived American interests in Taiwan, and on the Taiwan side of the mainland-Taiwan equation. The other, seen in the recent practice of the Bush Administration and its supporters in Congress, favors a continuation of the status quo, maintaining the current balance in U.S. policy toward the mainland and Taiwan. These two general options and the specific steps associated with them are examined below.

Other U.S. policy approaches are possible. For example, the United States could adopt a more active role in attempting to mediate mainland-Taiwan differences. In the past, this was seen as a high risk strategy which was tried twice by the United States in the 1940s and ended in disaster. Over the past decade, Taiwan has particularly objected to it out of fear that Beijing would be able to encourage the United States to press Taipei into peace talks where Taiwan would appear as the weaker party subject to Beijing's domination and manipulation.³³ A case can be made, however, that the situation has changed. U.S. officials may have learned from history, and Taipei may be less likely to see Washington biased against it given the current state of U.S.-PRC relations. Some also argue in support of U.S. intervention and mediation on grounds that the alternative to the U.S. keeping hands off mainland-Taiwan negotiations could be a military conflict in the Taiwan Straits contrary to U.S. interests.

³² Beijing's recent purchase of advanced Russian fighter aircraft has prompted expressions of concern about the military balance in the Taiwan Straits. See among others, *Defense News*, August 9, 1992.

³³ Taipei has been reassured by U.S. promises made since 1982 and known as the six assurances. They involve U.S. promises not to: (1) set a date for ending arms sales to Taiwan; (2) hold prior consultation with Beijing on U.S. arms sales to Taiwan; (3) play any mediation role between Beijing and Taipei; (4) revise the Taiwan Relations Act; (5) alter the U.S. position regarding sovereignty over Taiwan; and (6) exert pressure on Taiwan to enter into negotiations with the PRC.

Option One—Greater Support For Taiwan

This approach judges that recent developments give the United States greater lee-way and more opportunity to readjust the balance in U.S. policy toward mainland-Taiwan relations. There is less U.S. strategic need for the PRC; a less favorable U.S. view of the PRC; a more favorable U.S. view of Taiwan; and considerable economic advantage from accommodating Taiwan's interests. Specific steps advocated by many of this persuasion would see the United States allow senior level officials to visit Taiwan to secure for economic contracts; strong U.S. lobbying to allow Taiwan entry into the GATT and other international governmental organizations from which it is now excluded because of PRC objections;³⁴ upgrade U.S. defense cooperation with Taiwan, including sales of F-16 jet fighters requested by Taipei. Beijing would likely react more strenuously to the latter than the former steps,³⁵ but all are currently deemed unacceptable to the PRC.

A different set of steps is suggested by other Americans in Congress who use the same arguments regarding U.S. lee-way in this policy area to argue that the United States should now more forthrightly support Taiwanese self-determination. Of course, such a step would invite a more strenuous PRC response (Beijing has said it would use force to prevent Taiwan independence and it views congressional calls for self-determination as disguised efforts to support independence). But advocates maintain that the current situation precludes precipitous PRC action adverse to American interests.³⁶

Option Two—Support the Status Quo

This approach argues that the United States has a good situation in developing economic and other advantageous relations with both sides of the Taiwan Straits, and proponents see no advantage for U.S. policy in changing the current situation. In particular, advocates argue that a decided tilt toward Taiwan could seriously alienate the PRC and lead to confrontation and possible tensions in the Taiwan Straits. Greater U.S. support for Taiwan also could be

³⁴ It is assumed by some that for Taiwan to gain entry, it would have to be flexible about terminology, and would not receive strong U.S. support if it were to insist on entry as the "Republic of China."

³⁵ Some experts try to seek middle ground between these two options and argue that sending high level U.S. officials to Taipei to solicit economic contracts would be acceptable for U.S. interests under current circumstances as it would be unlikely in their view to seriously alienate Beijing. By contrast, a sale of large numbers of U.S. advanced fighters was seen as likely to lead to a crisis in U.S.-PRC relations detrimental to overall American foreign policy concerns. Interview, Washington, D.C., August 6, 1992.

³⁶ They aver, for instance, that the end of the cold war has reduced China's leverage over the U.S., while Beijing dependence on the U.S. market has grown markedly.

misinterpreted by political groups there. Thus, support for the Nationalist requests for F-16s might prompt authorities in power in Taipei to use this tangible show of U.S. support to their advantage against political opponents pressing for democratic political reform. Or, U.S. support for Taiwan self-determination might encourage pro independence advocates to take formal action that could prompt a PRC show of force that would seriously complicate U.S. security interests in the Taiwan Straits. U.S. supporters of the status quo also maintain that the U.S. has important economic and other interests in the mainland as well as Taiwan, and should avoid taking action at the expense of one over the other, or adopting steps that would lead to tensions and confrontation detrimental to economic and other interests on both sides of the Taiwan Straits.

Specific steps in this approach include maintaining existing relationships with both sides of the Taiwan Straits, and avoiding policy actions, not forced by circumstances, that run the risk of upsetting the current seemingly advantageous situation. Admittedly U.S. policy is ambiguous, with the Taiwan Relations Act promising strong support for Taiwan against mainland pressure and the U.S.-PRC communiques seen by some as accepting that Taiwan will revert to China. But the argument is made that this ambiguity has worked well for U.S. policy interests for over a decade and should be continued until better or more clear cut conditions develop for a change in American policy. Thus, for example, some Americans of this persuasion strongly believe that the economic development and integration currently underway in coastal China, Hong Kong and Taiwan will invariably lead to better prospects for reunification, led by the Chinese parties concerned, that will naturally elicit a change in U.S. policy more supportive of reunification.

APPENDIX

TAIWAN: MAJOR ORGANIZATIONS CONCERNED WITH RELATIONS WITH THE MAINLAND³⁷

1. The *National Unification Council* is a task force headed by the President with the Vice President, the Premier, and a senior presidential advisor as deputies and comprised of leaders of various segments of the society, functioning as an advisory organ and providing the President with guidelines, suggestions and research findings for setting the fundamental guidelines on national unification.
2. The Executive Yuan's (cabinet's) *Mainland Affairs Council*, a formal administrative agency under the supervision of the Premier, is in charge of the overall study, planning, deliberation, coordination, and partial implementation of the mainland policy and related work. It also is responsible to the Legislative Yuan (parliament), as stipulated in the ROC Constitution. Members of the Council include all ministers and related commission chairmen.
3. The ministries and commissions of the Executive Yuan, according to their official functions, are involved in individual research, planning and implementation of policy and operations concerning the mainland.
4. The *Straits Exchange Foundation*, entrusted by the Executive Yuan's Mainland Affairs Council, handles matters of a technical nature of people-to-people exchanges across the Straits that may involve the ROC government's authority, but are not appropriate for the government to handle directly under current policy.

TAIWAN'S OFFICIAL STANCE ON REUNIFICATION

Excerpts from *Guidelines for National Unification*, approved by the Executive Yuan (cabinet) in Taiwan, March 1991.

I. FOREWORD

The unification of China . . . is the common wish of Chinese people. . . After an appropriate period of forthright exchange, cooperation, and consultation conducted under the principles of reason, peace, parity, and reciprocity, the two sides of the Taiwan Straits should foster a consensus of democracy, freedom and equal prosperity, and together build anew a unified China.

³⁷ See, among others, Ma Ying-jeou, "The Republic of China's Policy Toward the Chinese Mainland," *Issues and Studies*, February 1992; Huang Kun-huei, *The Key Points and Contents of the Guidelines for National Unification*, Mainland Affairs Council, Taipei, December 1991.

II. GOAL

To establish a democratic, free and equitably prosperous China.

III. PRINCIPLES

... The timing and manner of China's unification should first respect the rights and interests of the people in the Taiwan area, and protect their security and welfare. It should be achieved in gradual phases under the principles of reason, peace, parity, and reciprocity.

IV. PROCESS

1. Short term—A phase of exchanges and reciprocity.
 - (1) To enhance understanding through exchanges, . . . eliminate hostility through reciprocity, establish a mutually benign relationship by not endangering each other's security and stability, . . . and not denying the other's existence as a political entity.
 - (2) To set up an order for exchanges across the Straits, to draw up regulations for such exchanges, and to establish intermediary organizations . . . ; to gradually ease various restrictions and expand people-to-people contacts so as to promote the social prosperity of both sides.
 - (3) . . . in the mainland area economic reform should be carried out forthrightly, the expression of public opinion there should gradually be allowed, and both democracy and the rule of law should be implemented
 - (4) The two sides . . . should end the state of hostility and a respect—not reject—each other in the international community . . .
2. Medium Term—A phase of mutual trust and cooperation.
 - (1) Both sides of the Straits should establish official communication channels on equal footing.
 - (2) Direct postal, transport and commercial links should be allowed, and both sides should jointly develop the southeastern coastal area of the Chinese mainland and then gradually extend this development to other areas of the mainland in order to narrow the gap in living standards between the two sides.
 - (3) Both sides of the Straits should work together and assist each other in taking part in international organizations and activities.

- (4) Mutual visits by high-ranking officials on both sides should be promoted to create favorable conditions for consultation and unification.

3. Long term—A phase of consultation and unification.

A consultative organization for unification should be established through which both sides, in accordance with the will of the people in both the mainland and Taiwan areas, and while adhering to the goals of democracy, economic freedom, social justice and nationalization of the armed forces, jointly discuss the grand task of unification and map out a constitutional system to establish a democratic, free, and equitably prosperous China.

THE PRC'S INSTITUTIONS CONCERNED WITH TAIWAN AFFAIRS³⁸

Central Leadership Group on Taiwan Work. This is the highest decisionmaking body in the formal institutional structure concerning Taiwan affairs. Members of this group—reportedly a unit of the Chinese Communist Party (CCP) have been drawn from leaders who speak for the CCP, the PRC government (i.e., foreign, security, trade, and other ministries) and the military units. Since 1979, Deng Xiaoping has undoubtedly held the highest authority on matters related to Taiwan, but the formal institutional leadership belongs to President Yang Shangkun. The CCP also has an office on Taiwan work, namely the Central Committee Office on Taiwan Work.

CCP United Front Department. Traditionally, this is the CCP's institutional unit that supervises and coordinates activities concerning the satellite "democratic parties," affairs of the racial minorities and religious groups, the overseas Chinese (in Taiwan, Hong Kong and other areas), and mass organizations. The department has placed emphasis on mobilizing support for the unification campaigns. Under its supervision are the following groups: National Political Consultative Council's Work Team For Unification; KMT Revolutionary Committee; Alliance for Taiwan Democracy and Autonomy; Association of Taiwanese Classmates; Association for Unification of China; Taiwan Studies Association; and Association of Whampoa Classmates.

Government Offices. The Taiwan Affairs Office of the State Council (cabinet) coordinates with various government activities concerning Taiwan. Taiwan offices or divisions are established in the Ministries of Foreign Affairs, Foreign Economic Relations and Trade, State Security, and Radio and TV Broadcasting, and other ministries and agencies as well as provincial and municipal governments. The Chinese Academy of Social Sciences also has a policy-oriented Taiwan Research Institute. The Overseas Chinese Office deals with Overseas Chinese who have Taiwan connections. Taiwan Research Institutes are established in several leading universities. The New China News

³⁸ See, among others, Hung-mao Tien, "The PRC Approach Toward Taiwan," Conference paper, Penn State University, July 1991.

Agency in Hong Kong, Beijing's main official presence in the territory, also has a Taiwan affairs office.

The Military. The military continues to be heavily involved in matters related to Taiwan. PRC leaders still emphasize armed liberation against Taiwan as an option should all efforts at peaceful unification fail. Key figures in the CCP Central Military Commission are members of the decisionmaking Leadership Group.

Association for Relations Across the Taiwan Straits. An ostensibly unofficial body, set up in December 1991, to interact with Taiwan's Straits Exchange Foundation.

THE PRC'S GUIDELINES FOR UNIFICATION

The current generation of PRC leaders headed by Deng Xiaoping have made several statements proposing formulas for unification. The most important include:

1. "A message to compatriots in Taiwan," issued by the Standing Committee of the National People's Congress on January 1, 1979, proposed the establishment of "three communications" (mail, trade, and transportation services) and "four exchanges" (relatives and tourists, academic groups, cultural groups, and sport teams) between the mainland and Taiwan.
2. A nine-point proposal by President Ye Jianying on September 30, 1981, reiterated the earlier call for establishing three communications and four exchanges, and urged KMT-CCP direct negotiations for unification that would allow Taiwan to preserve its separate socioeconomic system as a local autonomous district of the PRC.
3. A six-point supplement to Ye's nine-point proposal put forth by Deng Xiaoping on June 26, 1983, during a conversation with Winston Yang, a visiting Chinese-American scholar. Deng promised, following unification, judicial independence and separate armed forces for Taiwan. In addition, Taiwan would be permitted to administer its own party, government and military systems. Beijing would not dispatch its personnel to be stationed in Taiwan, and would set aside certain central government posts in Beijing for Taiwan leaders. He defined Taiwan's status as having a limited, but not complete, autonomy.

PRC proposals center on two famous slogans, "peaceful unification" and "one country, two systems." The ultimate goal is to amalgamate Taiwan with the mainland and place it under the PRC's central authority. The goal is to be achieved step-by-step through CCP-Nationalist Party negotiations. Once united, the Nationalist authorities could maintain a local administration and armed forces along with Taiwan's different social, economic, and political systems. As in the case of provisions governing Hong Kong's status in the 1984 PRC-British

agreement on Hong Kong, such separate and autonomous systems are envisioned to exist for at least half a century before a complete integration with the mainland system becomes enforced.